## Fiscal Estimate - 2003 Session

	Original		Updated		Corrected		Supple	emental
LRB	Number	03-0920/1		Introd	duction Nu	ımber A	B-98	
Subje								
Exemp	ot from taxation	on WHEDA inte	erest income					
Fiscal	Effect							
	No State Fisc Indeterminate Increase I Appropria Decrease Appropria	e Existing tions Existing	Reve	ease Existing enues rease Existing enues	to	crease Costs absorb within Yes ecrease Cost	n agency	
	Indeterminate  1. Increas Permiss 2. Docreas Permiss	e Costs sive ∭Mandato se Costs sive ∭Mandato	3. ☐ Incre ory ☐ Pern 4. ☐ Decr	ease Revenue nissive Mar ease Revenue nissive Mar	Gov idatory	pes of Local vernment Un Towns Counties School Districts	its Affect Village Others WTCS District	Cities
Fund Sources Affected Affected Ch. 20 Appropriations  GPR FED PRO PRS SEG SEGS								
Agend	y/Prepared	Ву		Authorized S	Signature			Date
WHED	A/ Geoff Wh	eeler (608) 266	-2027	Geoff Wheele	12/9/2002			

## Fiscal Estimate Narratives WHEDA 2/21/2003

LRB Number	03-0920/1	Introduction Number	AB-98	Estimate Type	Original							
Subject												
Exempt from taxation WHEDA interest income												

## **Assumptions Used in Arriving at Fiscal Estimate**

Assumptions include \$37.5 annual issuance, 6 yr avg bond life, marginal tax rate of 6.77%, average coupon rate of 4.6%, and existing in state participation in bond program will go from 5% to 35% (based on other states experience). costs will incrementally step up for six years, peak at year 6 and continue at that level indefinately unless assumptions change.

First year loss to existing revenue stream of \$5,800. In the sixth year, loss will be @\$35,000. NO COST TO EXISTING REVENUE FOR THE FIRST THREE YEARS AS WHEDA WOULD AGREE TO REIMBURSE THE STATE FOR ACTUAL REVENUE LOSS FOR THOSE FIRST THREE YEARS PER AN AGREED UPON FORMULA.

Cost for additional level of participation (35%) is an opportunity cost, not an actual cost to existing revenue stream, because without the double tax exemption, there won't be any increase in participation levels. Maximum opportunity cost conservatively assuming all additional in state participation in these bonds replaces investment in taxables, also steps up to @ \$210,000 in year six.

Since rate reduction will be passed on to borrowers, there taxable income will increase by the amount of that interest savings and will be taxed at income rates, further mitigating the fiscal impact.

Double tax exemption puts WHEDA on an equal footing with WHEFA, local housing authorities, redevelopment authorities, and a recent City of Manitowoc Bond issuance for double tax exempt bonds for housing purposes, authorized under Chpater 229.

## Long-Range Fiscal Implications

see above